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C O N F I D E N T I A L SECTION 01 OF 02 PARIS 000735

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TAGS: [ECON](#) [PREL](#) [ENRG](#) [FR](#)  
SUBJECT: A/S SULLIVAN DISCUSSES CASPIAN ENERGY, OECD, G8 ISSUES  
WITH FRENCH FASS

REF: PARIS 544

Classified by Economic Counselor Stuart Dwyer for reasons 1.4  
(b) and (d)

11. (C) Summary: On February 14 A/S Dan Sullivan briefed French FASS Jacques Lapouge on the state-of-play on Caspian energy and his recent trip to the Caspian region. Sullivan said the U.S. was "very interested" in the French proposal for an "IPR FATF" tabled by Finance Minister Breton. On OECD enlargement Lapouge said France supported Russia's membership, but would be willing to compromise on the eight recent EU accession state candidates (even if publicly it would have to maintain support for all eight). Lapouge and Sullivan touched on Open Skies, climate change and export credits for Iran. End summary.

Energy and Climate Change  
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12. (SBU) A/S Dan Sullivan met with French FASS Jacques Lapouge on the margins of the IEA's February 13 - 14 Caspian gas market diversity conference. Sullivan briefed Lapouge on his recent trip to the Caspian region and U.S. views on the next phase of gas development there. Sullivan said there was a window of opportunity and strong regional interest in U.S. and EU engagement to move things forward.

13. (C) Lapouge said the GOF -- and the EU generally - had obvious interests in the region, though there was a question of whether there were sufficient resources to make the pipeline project viable. Would Iranian gas have to be added to the mix to achieve a critical mass, Lapouge wondered. Lapouge also queried Sullivan on potential legal challenges of laying a pipe across the Caspian, and whether there was regional interest in a possible southern route through Iran. On the latter point Sullivan said there was a strong sense that Iran was not a reliable partner or energy supplier, and that he had made clear on his travels that U.S. policy would not support such an option. Lapouge concluded that the southern corridor project was important and could put pressure on Russia, but that it's "not the Alpha and Omega" of European energy security.

14. (C) In a brief discussion on the notion of a "gas OPEC," Sullivan said that during his trip he took several opportunities to underscore how inconsistent it would be for any party that had signed on to the G8 St. Petersburg principles to support a gas control concept diametrically opposed to those engagements. Sullivan and Lapouge agreed that it might be useful to reiterate the principles in the course of normal G8 follow-up on undertakings.

15. (SBU) Lapouge said that France supported EU cooperation with the United States on climate change technology. But the GOF remained "very attached" to Kyoto-style constraints on emissions, and support for the former should not be seen as a weakening of commitment on the latter.

IPR

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16. (SBU) Sullivan told Lapouge the U.S. was "very interested" in the proposal tabled by Finance Minister Breton in the G7 for establishing a FATF-like organization for IPR issues. He noted that the United States had shared the idea of an IPR "gold standard." At some point, though, discussion of Breton's proposal might be moved to the G8. Lapouge suggested that Breton may have raised the initiative within the G7 so that it could be pushed forward by truly like-minded countries.

#### Open Skies

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17. (SBU) In a brief discussion on Open Skies Lapouge said the GOF was very supportive of getting to an agreement. Negotiations were in the Commission's hands and there was "little maneuvering room" on ownership restrictions issues. But France "definitely" wanted an agreement.

#### OECD Enlargement

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18. (C) On OECD enlargement Lapouge said France supported Russia's accession. If Russia was "good enough" to be in the WTO, it would also meet the bar for OECD membership. While France had to maintain public support for the candidacies of eight recent EU accession states, it understood the need for a balanced enlargement and would be willing to compromise.

#### Export Credits to Iran

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19. (C) A/S Sullivan commended, and asked for more information about, the recent tightening of French policy on export credits for Iran (reftel). Lapouge said institutions entering into transactions would have to sign a letter indicating an understanding of limitations imposed by UNSCR 1737, and the legal consequences of any violations. The GOF had also lowered the credit ceiling for Iran, reflecting changes in risk ratings.

However Lapouge made clear that the changes did not represent the full prohibition on export credits requested by the United States. Trade not covered by 1737 - consisting largely of cars and car parts according to Lapouge -- continued and could be supported with export credits. Lapouge assented to Sullivan's characterization of the change as moving "half way" to what the United States was pushing.

110. (U) A/S Sullivan has cleared this cable.

STAPLETON